

CITY OF MILLER
AUDITED FINANCIAL STATEMENTS
TWO YEARS ENDED DECEMBER 31, 2013 AND 2012

CITY OF MILLER
CITY OFFICIALS
DECEMBER 31, 2013

Mayor:

Ronald Blachford

Governing Board:

Anthony Rangel
Kristen Hargens
Tom Winsell
Mary Johnson
Joe Zeller
Jim Odegard

Finance Officer:

Sheila Coss

Attorney:

Riter, Rogers, Wattier & Northrup, LLP

CITY OF MILLER

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CITY OF MILLER

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KOHLMAN, BIRSCHBACH & ANDERSON, LLP

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LEMMON, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

City Council
City of Miller
Miller, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, as of December 31, 2013, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 21, 2014, which was adverse for the discretely presented component unit because there were no audited financial statements available for the component unit in 2013 and unmodified for the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings as items #2013-01, #2013-02, and #2013-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Current Audit Findings as item #2013-04 and #2013-05.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Kohlman, Bierackbach & Anderson, LLP

August 21, 2014

CITY OF MILLER
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013 AND 2012

PRIOR FEDERAL AUDIT FINDINGS:

#2011-01

A material weakness was reported for a lack of internal control for cash management and program income for grants and loans obtained through Rural Development. This comment has been resolved.

#2011-02

A material weakness and compliance concern were reported since one of the Rural Development loan requirements was that the City have a surcharge for the water usage, and at the time of the audit, the City was still not charging the required surcharge. This comment has been resolved.

PRIOR OTHER AUDIT FINDINGS:

#2011-03

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity. This comment has not been corrected and is restated as current audit finding #2013-01.

#2011-04

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This comment has not been corrected and is restated as current audit finding #2013-02.

#2011-05

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements. This comment has not been corrected and is restated as current audit finding #2013-03.

#2011-06

For the year ended December 31, 2010, the City went over budget in the General Fund in the account Debt Service by \$162,421 and in the Transfers Out by \$2,795. For the year ended December 31, 2011, the City went over budget in the General Fund in the account Debt Service by \$162,396 and in the Other General Government by \$262. This comment has not been corrected and is restated as current audit finding #2013-04.

#2011-07

The City purchased gravel and asphalt that were both required to be bid but were not actually bid. Also, the City purchased an item with an emergency bid, but did not follow SDCL 5-18A-9 which required that there be written documentation stating the basis for the emergency and the selection of the contractor. This comment has been resolved.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012

CURRENT AUDIT FINDINGS:

Internal Control-Related Findings - Material Weaknesses:

Finding #2013-01

Criteria

Internal control can help the City achieve its performance targets and prevent loss of resources. It can help ensure reliable financial reporting and it can help ensure that the City complies with laws and regulations.

Condition Found

A material weakness was reported for a lack of segregation of duties for revenues, cash, and equity.

Effect

This comment is the result of the size of the entity which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash, and equity. It is not known how long this comment has been carried forward.

Recommendation

The City is aware of this problem and should attempt to provide compensating controls wherever and whenever possible and practical.

Management's Response

Ron Blachford is the contact person responsible for the corrective action plan for this comment. This comment is a result of the size of the City of Miller which precludes staffing at a level sufficient to provide an ideal environment for internal controls. The City of Miller has determined that it is not cost beneficial to employ additional personnel just to be able to adequately segregate duties for revenues, cash, and equity. The City of Miller is aware of the problem and is attempting to provide compensating controls wherever and whenever possible and practical. However, the lack of segregation of duties regarding revenues, cash, and equity continues to exist.

Finding #2013-02

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

The City does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with other comprehensive basis of accounting modified cash basis. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

Effect

This condition may affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The City accepts the risk of the deficiency. The Council will attempt to provide controls wherever possible."

Finding #2013-03

Criteria

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with other comprehensive basis of accounting modified cash basis.

Condition Found

During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Effect

This condition may affect the City's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

This circumstance is not unusual in an organization of this size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The City Council accepts the risk of this deficiency. The Council will attempt to provide control wherever possible."

Other Audit Findings:

Finding #2013-04

Criteria

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

South Dakota Codified Laws (SDCL) 9-21-9 limits expenditures to appropriated amounts.

Condition Found

For the year ended December 31, 2012, the City went over budget in the General Fund in the account Debt Service by \$188,767, in the account Police by \$6,265, and in the account Health by \$2,246. For the year ended December 31, 2013, the City went over budget in the General Fund in the account Debt Service by \$191,402, in the account Financial Administration by \$5,447, in the account Other General Government by \$57, in the account Police by \$10,681, in the account Fire by \$2,418, in the account Airport by \$18,136, in the account Parks by \$1,451, in the account Urban Redevelopment and Housing by \$156, and in the account Transfers Out by \$1,286.

Effect

Budgets are required for all funds. Per SDCL 9-21-9, expenditures are limited to the appropriated amounts.

Recommendation

We recommend the City adopt a budget for all funds, limit expenditures to the amount budgeted, adopt a supplemental appropriation ordinance, or make contingency transfers for small line item deficits.

Management's Response

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "The City Council is aware of this finding and is working to limit expenditures to the amount budgeted and to adopt a supplemental appropriation ordinance and to make contingency transfers for smaller items."

Finding #2013-05

Criteria

The Taxable Electric Revenue Bonds rate covenant stated that a surcharge needed to be charged and "the surcharge shall at all times be sufficient to produce net revenues for each fiscal year at least equal to 125% of the principal of and interest on the Bonds coming due in such fiscal year."

Condition Found

It was determined that for a portion of 2012 there was no specific surcharge being charged. Then after August 2012, a surcharge was being charged, but it was not being segregated from the other electric charges to be able to determine that the proper amount was being charged. In 2013, the surcharge was being segregated. However, the amount of the electric surcharge being collected was not enough to cover the 125% of the coming principal and interest payments as required by the bond terms.

Effect

Due to the surcharge not being at a high enough rate, the City is not in compliance with the bond terms.

Recommendation

We recommend the City raise the rate of the surcharge to the amount required by the bond terms, so that they are in compliance with terms of the bond.

CITY OF MILLER
SCHEDULE OF CURRENT AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012
(Continued)

Management's Response

Ron Blachford is the contact person responsible for the corrective action plan for this comment. He stated, "We are working with our engineering firm (DGR) to correct our surcharge problem."

Closing Conference

The contents of this report were discussed with Ron Blachford, Tony Rangel, and Sheila Coss on June 24, 2014.

KOHLMAN, BIRSCHBACH & ANDERSON, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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WITH OFFICES IN

MOBRIDGE, SOUTH DAKOTA
LEMMON, SOUTH DAKOTA

INDEPENDENT AUDITORS' REPORT

City Council
City of Miller
Miller, South Dakota

Report on the Financial Statements

We have audited the accompanying modified cash basis of accounting financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, as of December 31, 2013, and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The City's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1.c.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Discretely Presented Component Unit

The financial statements referred to above do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net position, revenues, and expenses of the discretely presented component unit would have been reported for the year ended December 31, 2013, as \$877,417, \$28,907, \$848,510, \$213,609, and \$235,638 and for the year ended December 31, 2012, as \$920,494, \$38,491, \$882,003, \$201,143, and \$236,329.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Discretely Presented Component Unit" paragraph, the financial statements referred to above do not present fairly the financial position of the discretely presented component unit of the City of Miller, South Dakota, as of December 31, 2013, or the changes in financial position thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Miller, South Dakota, as of December 31, 2013, and the respective changes in financial position thereof for each of the years in the biennial period then ended in conformity with the modified cash basis of accounting described in Note 1.c. to the financial statements.

Basis of Accounting

We draw attention to Note 1.c. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the modified cash basis of accounting financial statements that collectively comprise the City's basic financial statements. The Budgetary Comparison Schedules and the Schedule of Changes in Long-Term Debt listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing

standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2014, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kohlman, Bierbach & Anderson, LLP

August 21, 2014

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2013

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 72,649	\$ 1,481,616	\$ 1,554,265
Investments	-	59,896	59,896
Restricted Assets:			
Cash and cash equivalents	209,364	913,350	1,122,714
TOTAL ASSETS	<u>\$ 282,013</u>	<u>\$ 2,454,862</u>	<u>\$ 2,736,875</u>
NET POSITION:			
Restricted for:			
Debt service purposes	\$ 209,364	\$ 679,805	\$ 889,169
Construction purposes	-	233,545	233,545
Unrestricted	72,649	1,541,512	1,614,161
TOTAL NET POSITION	<u>\$ 282,013</u>	<u>\$ 2,454,862</u>	<u>\$ 2,736,875</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business- Type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 163,446	\$ 22,596	\$ -	\$ -	\$ (140,850)	\$ -	\$ (140,850)
Public safety	332,356	2,434	4,598	-	(325,324)	-	(325,324)
Public works	488,304	4,012	78,398	40,715	(365,179)	-	(365,179)
Health and welfare	2,000	75	-	-	(1,925)	-	(1,925)
Culture and recreation	107,093	13,276	500	-	(93,317)	-	(93,317)
Conservation and development	132,156	-	-	-	(132,156)	-	(132,156)
*Interest on long-term debt	28,687	-	-	-	(28,687)	-	(28,687)
Total Governmental Activities	<u>1,254,042</u>	<u>42,393</u>	<u>83,496</u>	<u>40,715</u>	<u>(1,087,438)</u>	<u>-</u>	<u>(1,087,438)</u>
Business-Type Activities:							
Water	435,692	489,293	-	-	-	53,601	53,601
Sewer	173,991	228,029	-	-	-	54,038	54,038
Electric	<u>3,263,457</u>	<u>1,975,321</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,288,136)</u>	<u>(1,288,136)</u>
Total Business-Type Activities	<u>3,873,140</u>	<u>2,692,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,180,497)</u>	<u>(1,180,497)</u>
Total Primary Government	<u>\$ 5,127,182</u>	<u>\$ 2,735,036</u>	<u>\$ 83,496</u>	<u>\$ 40,715</u>	<u>(1,087,438)</u>	<u>(1,180,497)</u>	<u>(2,267,935)</u>
General Revenues:							
Taxes:							
Property taxes					326,268	-	326,268
Sales taxes					795,530	-	795,530
State shared revenues					11,549	-	11,549
Grants and contributions not restricted to specific programs					1,846	-	1,846
Unrestricted investment earnings					576	2,435	3,011
Miscellaneous revenue					24,199	195,177	219,376
Transfers					<u>(1,286)</u>	<u>1,286</u>	<u>-</u>
Total General Revenues and Transfers					<u>1,158,682</u>	<u>198,898</u>	<u>1,357,580</u>
Change in Net Position					71,244	(981,599)	(910,355)
Net Position - Beginning					<u>210,769</u>	<u>3,436,461</u>	<u>3,647,230</u>
Net Position - Ending					<u>\$ 282,013</u>	<u>\$ 2,454,862</u>	<u>\$ 2,736,875</u>
*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.							

*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business- Type Activities	Total
Primary Government:							
Governmental Activities:							
General government	\$ 179,804	\$ 13,849	\$ -	\$ -	\$ (165,955)	\$ -	\$ (165,955)
Public safety	354,344	2,007	4,380	-	(347,957)	-	(347,957)
Public works	440,249	2,180	79,301	9,116	(349,652)	-	(349,652)
Health and welfare	2,246	150	-	-	(2,096)	-	(2,096)
Culture and recreation	119,605	16,222	-	-	(103,383)	-	(103,383)
Conservation and development	149,000	-	-	-	(149,000)	-	(149,000)
*Interest on long-term debt	33,486	-	-	-	(33,486)	-	(33,486)
Total Governmental Activities	1,278,734	34,408	83,681	9,116	(1,151,529)	-	(1,151,529)
Business-Type Activities:							
Water	434,428	466,000	-	-	-	31,572	31,572
Sewer	135,893	207,140	-	-	-	71,247	71,247
Electric	6,061,038	1,693,169	-	-	-	(4,367,869)	(4,367,869)
Airport	43,380	-	-	8,488	-	(34,892)	(34,892)
Total Business-Type Activities	6,674,739	2,366,309	-	8,488	-	(4,299,942)	(4,299,942)
Total Primary Government	\$ 7,953,473	\$ 2,400,717	\$ 83,681	\$ 17,604	(1,151,529)	(4,299,942)	(5,451,471)
General Revenues:							
Taxes:							
Property taxes					321,295	-	321,295
Sales taxes					735,660	-	735,660
State shared revenues					11,554	-	11,554
Grants and contributions not restricted to specific programs							
					2,133	-	2,133
Unrestricted investment earnings					469	3,223	3,692
Debt issued					34,000	-	34,000
Miscellaneous revenue					34,417	230,028	264,445
Total General Revenues					1,139,528	233,251	1,372,779
Change in Net Position					(12,001)	(4,066,691)	(4,078,692)
Net Position - Beginning					222,770	7,503,152	7,725,922
Net Position - Ending					\$ 210,769	\$ 3,436,461	\$ 3,647,230

*The City does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General Fund
ASSETS:	
Cash and cash equivalents	\$ 71,141
Restricted cash and cash equivalents	<u>209,364</u>
TOTAL ASSETS	<u>\$ 280,505</u>
FUND BALANCES:	
Restricted	\$ 209,364
Unassigned	<u>71,141</u>
TOTAL FUND BALANCES	<u>\$ 280,505</u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2013

Total Fund Balances - Governmental Funds	\$ 280,505
--	------------

Amounts reported for governmental activities in the statement of net position
are different because:

Internal service funds are used by management to charge the costs of activities, such as unemployment insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>1,508</u>
--	--------------

Net Position - Governmental Activities	<u><u>\$ 282,013</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	<u>General Fund</u>
REVENUES:	
Taxes:	
General property taxes	\$ 325,425
General sales and use taxes	795,530
Penalties and interest on delinquent taxes	843
Licenses and Permits	11,562
Intergovernmental Revenue:	
Federal grants	40,871
State grants	4,266
State shared revenue:	
Bank franchise tax	1,700
Motor vehicle commercial prorate	5,934
Liquor tax reversion	9,849
Motor vehicle licenses (5%)	23,516
County shared revenue:	
County road tax (25%)	4,323
County highway and bridge reserve tax (25%)	44,625
Other intergovernmental revenues	2,784
Charges for Goods and Services:	
General government	38
Public safety	1,862
Highways and streets	3,641
Sanitation	371
Health	75
Culture and recreation	13,276
Fines and Forfeits:	
Court fines and costs	572
Miscellaneous Revenue:	
Investment earnings	576
Rentals	10,996
Contributions and donations from private sources	2,522
Other	<u>21,415</u>
 TOTAL REVENUE	 <u>1,326,572</u>
EXPENDITURES:	
General Government:	
Legislative	28,318
Elections	36
Financial administration	111,656
Other	23,436
Public Safety:	
Police	291,422

	<u>General Fund</u>
Fire	29,197
Public Works:	
Highways and streets	286,999
Airport	60,279
Health and Welfare:	
Other	2,000
Culture and Recreation:	
Recreation	80,214
Parks	25,279
Museums	1,600
Conservation and Development:	
Urban redevelopment and housing	156
Economic development and assistance (industrial development)	132,000
Debt Service	<u>191,402</u>
TOTAL EXPENDITURES	<u>1,263,994</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>62,578</u>
OTHER FINANCING SOURCES (USES):	
Compensation for loss or damage to capital assets	9,952
Transfers out	<u>(1,286)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,666</u>
NET CHANGE IN FUND BALANCE	71,244
FUND BALANCE - BEGINNING	<u>209,261</u>
FUND BALANCE - ENDING	<u><u>\$ 280,505</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	General Fund
REVENUES:	
Taxes:	
General property taxes	\$ 320,341
General sales and use taxes	735,660
Penalties and interest on delinquent taxes	954
Licenses and Permits	11,779
Intergovernmental Revenue:	
Federal grants	4,380
State grants	8,000
State shared revenue:	
Bank franchise tax	1,371
Motor vehicle commercial prorate	7,125
Liquor tax reversion	10,183
Motor vehicle licenses (5%)	24,092
County shared revenue:	
County road tax (25%)	4,323
County highway and bridge reserve tax (25%)	43,761
Other intergovernmental revenues	2,119
Charges for Goods and Services:	
General government	43
Public safety	1,409
Highways and streets	2,134
Sanitation	46
Health	150
Culture and recreation	16,222
Fines and Forfeits:	
Court fines and costs	598
Miscellaneous Revenue:	
Investment earnings	469
Rentals	2,027
Special assessments	1,116
Contributions and donations from private sources	2,133
Other	16,871
TOTAL REVENUE	<u>1,217,306</u>

EXPENDITURES:

General Government:	
Executive	42,612
Elections	709
Financial administration	108,048
Other	28,435
Public Safety:	

	General Fund
Police	313,344
Fire	22,452
Public Works:	
Highways and streets	301,216
Health and Welfare:	
Health	2,246
Culture and Recreation:	
Recreation	94,368
Parks	22,837
Museums	2,400
Conservation and Development:	
Economic development and assistance (industrial development)	149,000
Debt Service	191,067
TOTAL EXPENDITURES	<u>1,278,734</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(61,428)</u>
OTHER FINANCING SOURCES:	
Sale of municipal property	14,865
Compensation for loss or damage to capital assets	562
Long-term debt issued	34,000
TOTAL OTHER FINANCING SOURCES	<u>49,427</u>
NET CHANGE IN FUND BALANCE	(12,001)
FUND BALANCE - BEGINNING	<u>221,262</u>
FUND BALANCE - ENDING	<u><u>\$ 209,261</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Business-Type Activities Enterprise Funds			Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Totals
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 144,385	\$ 293,478	\$ 1,043,753	\$ 1,481,616
Investments	-	-	59,896	59,896
Total Current Assets	144,385	293,478	1,103,649	1,541,512
Noncurrent Assets:				
Restricted cash and cash equivalents	51,014	-	862,336	913,350
Total Noncurrent Assets	51,014	-	862,336	913,350
TOTAL ASSETS	\$ 195,399	\$ 293,478	\$ 1,965,985	\$ 2,454,862
NET POSITION:				
Restricted for:				
Revenue bond debt service	\$ 51,014	\$ -	\$ 628,791	\$ 679,805
Construction	-	-	233,545	233,545
Unrestricted	144,385	293,478	1,103,649	1,541,512
TOTAL NET POSITION	\$ 195,399	\$ 293,478	\$ 1,965,985	\$ 2,454,862

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Business-Type Activities Enterprise Funds				Totals	Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Airport Fund		
OPERATING REVENUE:						
Charges for goods and services	\$ 489,293	\$228,029	\$1,975,321	\$ -	\$ 2,692,643	\$ -
TOTAL OPERATING REVENUE	489,293	228,029	1,975,321	-	2,692,643	-
OPERATING EXPENSES:						
Personal services	114,071	93,904	237,170	-	445,145	-
Other current expense	64,632	41,367	84,092	-	190,091	-
Materials (cost of goods sold)	188,221	-	1,271,879	-	1,460,100	-
Capital assets	-	38,720	1,094,130	-	1,132,850	-
TOTAL OPERATING EXPENSES	366,924	173,991	2,687,271	-	3,228,186	-
OPERATING INCOME (LOSS)	122,369	54,038	(711,950)	-	(535,543)	-
NONOPERATING REVENUE (EXPENSE):						
Investment earnings	207	297	1,931	-	2,435	-
Debt service (principal)	(37,530)	-	(105,000)	-	(142,530)	-
Interest expense	(31,238)	-	(471,186)	-	(502,424)	-
Other	-	-	195,177	-	195,177	-
TOTAL NONOPERATING REVENUE (EXPENSE)	(68,561)	297	(379,078)	-	(447,342)	-
INCOME (LOSS) BEFORE TRANSFERS	53,808	54,335	(1,091,028)	-	(982,885)	-
TRANSFERS IN	-	-	-	1,286	1,286	-
CHANGE IN NET POSITION	53,808	54,335	(1,091,028)	1,286	(981,599)	-
NET POSITION - BEGINNING	141,591	239,143	3,057,013	(1,286)	3,436,461	1,508
NET POSITION - ENDING	\$ 195,399	\$293,478	\$1,965,985	\$ -	\$ 2,454,862	\$ 1,508

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Business-Type Activities Enterprise Funds				Totals	Internal Service Fund
	Water Fund	Sewer Fund	Electric Fund	Airport Fund		
OPERATING REVENUE:						
Charges for goods and services	\$ 466,000	\$207,140	\$1,693,169	\$ -	\$2,366,309	\$ -
TOTAL OPERATING REVENUE	466,000	207,140	1,693,169	-	2,366,309	-
OPERATING EXPENSES:						
Personal services	97,290	94,253	259,066	109	450,718	-
Other current expense	80,628	36,154	81,089	16,897	214,768	-
Materials (cost of goods sold)	187,034	-	1,084,614	-	1,271,648	-
Capital assets	7,171	5,486	4,068,183	26,374	4,107,214	-
TOTAL OPERATING EXPENSES	372,123	135,893	5,492,952	43,380	6,044,348	-
OPERATING INCOME (LOSS)	93,877	71,247	(3,799,783)	(43,380)	(3,678,039)	-
NONOPERATING REVENUE (EXPENSE):						
Capital grants	-	-	-	8,488	8,488	-
Investment earnings	155	364	2,674	30	3,223	-
Rental revenue	-	-	-	16,989	16,989	-
Debt service (principal)	(30,966)	-	(95,000)	-	(125,966)	-
Interest expense	(31,339)	-	(473,086)	-	(504,425)	-
Sale of municipal property	150	-	-	-	150	-
Other	-	-	212,889	-	212,889	-
TOTAL NONOPERATING REVENUE (EXPENSE)	(62,000)	364	(352,523)	25,507	(388,652)	-
CHANGE IN NET POSITION	31,877	71,611	(4,152,306)	(17,873)	(4,066,691)	-
NET POSITION - BEGINNING	109,714	167,532	7,209,319	16,587	7,503,152	1,508
NET POSITION - ENDING	\$ 141,591	\$239,143	\$3,057,013	\$ (1,286)	\$3,436,461	\$1,508

The notes to the financial statements are an integral part of this statement.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 1.c., these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

a. **Financial Reporting Entity:**

The reporting entity of the City of Miller consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City is financially accountable if its Governing Board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on, the City (primary government). The City may also be financially accountable for another organization if that organization is fiscally dependent on the City.

The Housing and Redevelopment Commission of the City of Miller, South Dakota (Commission) is a proprietary fund-type, discretely-presented component unit. The five members of the Commission are appointed by the Mayor, with the approval of the Governing Board, for five-year, staggered terms. The Commission elects its own chairperson and recruits and employs its own management personnel and other workers. The Governing Board, though, retains the statutory authority to approve or deny or otherwise modify the Commission's plans to construct low-income housing units, or to issue debt, which gives the Governing Board the ability to impose its will on the Commission. Separately issued financial statements of the Miller Housing and Redevelopment Commission may be obtained from: Miller Housing and Redevelopment Commission, 105 N. Broadway, Miller, SD 57362.

b. **Basis of Presentation:**

Government-Wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities and discretely presented component units. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - (Continued)

activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the City financial reporting entity are described below:

Governmental Funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is always considered to be a major fund.

Proprietary Funds:

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's principal revenue sources.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - (Continued)

- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Water Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City waterworks system and related facilities (SDCL 9-47-1). This is a major fund.

Sewer Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City sanitary sewer system and related facilities (SDCL 9-48-2). This is a major fund.

Electric Fund - Financed primarily by user charges, this fund accounts for the construction and operation of the City electrical system and related facilities (SDCL 9-39-1 and 9-39-26). This is a major fund.

Airport Fund - Financed primarily by user charges and grants, this fund accounts for the construction and operation of the City airport and related facilities (SDCL 50-7-2). This is a major fund.

Internal Service Funds - Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the primary governments and its component units, or to other governments, on a cost-reimbursement basis. The particular types of goods or services provided to other funds are as follows: unemployment claims. Internal service funds are never considered to be major funds. The Unemployment Compensation Fund is the only internal service fund maintained by the City.

c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

The City's basis of accounting is the modified cash basis, which is a basis of accounting other than USGAAP. Under USGAAP, transactions are recorded in the accounts when revenues are earned and liabilities are incurred. Under the modified cash basis, transactions are recorded when cash is received or disbursed.

Measurement Focus:

Government-wide Financial Statements:

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied within the limitations of the modified cash basis of accounting as defined below.

Fund Financial Statements:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - (Continued)

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used, applied within the limitations of the modified cash basis of accounting.

Basis of Accounting:

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting.

The modified cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions. Under the modified cash basis of accounting, the statement of financial position reports only cash and cash equivalents (those investments with terms to maturity of 90 days (three months) or less at the date of acquisition). Under the modified cash basis of accounting, transactions are recorded in the accounts when cash and/or cash equivalents are received or disbursed and assets and liabilities are recognized to the extent that cash has been received or disbursed. Acceptable modifications to the cash basis of accounting implemented by the City in these financial statements are:

1. Recording long-term investments in marketable securities (those with maturities more than 90 days (three months) from the date of acquisition) acquired with cash assets at cost.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the City applied USGAAP, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

d. Deposits and Investments:

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investments authorized by South Dakota Codified Laws (SDCL) 4-5-6. Under the modified cash basis of accounting, investments are carried at cost.

e. Long-Term Liabilities:

Long-term liabilities include, but are not limited to, revenue bonds and other long-term liabilities.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - (Continued)

As discussed in Note 1.c. above, the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental and business-type activities are presented using a modified cash basis of accounting. The City has not elected to modify their cash basis presentation by recording long-term debt arising from cash transactions so any outstanding indebtedness is not reported on the financial statements of the City. The City does report the principal and interest payments on long-term debt as Debt Service expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances. On the Statement of Activities the principal portion of these Debt Service payments are reported within the appropriate expense function while the interest portion is reported as Interest on Long-Term Debt.

The City has presented as Supplementary Information a Schedule of Changes in Long-Term Debt along with related notes that include details of any outstanding Long-Term Debt.

f. Program Revenues:

Program revenues derive directly from the program itself or from parties other than the City's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

g. Proprietary Funds Revenue and Expense Classifications:

In the proprietary fund's Statement of Revenues, Expenses and Changes in Net Position, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, non-capital financing activities, or investing activities are not reported as components of operating revenues or expenses.

h. Equity Classifications:

Government-Wide Financial Statements:

Equity is classified as net position and is displayed in two components:

1. Restricted net position - Consists of net position with constraints placed on their use either by (a) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - (Continued)

2. Unrestricted net position - All other net position that do not meet the definition of restricted net position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance, and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Proprietary fund equity is classified the same as in the government-wide financial statements.

i. Application of Net Position:

It is the City's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

j. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the City classifies governmental fund balances as follows:

1. Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
2. Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
3. Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
4. Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.
5. Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City does not have a formal minimum fund balance policy.

A schedule of fund balances is provided as follows:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - (Continued)

CITY OF MILLER
DISCLOSURE OF FUND BALANCES REPORTED ON BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2013

	<u>General Fund</u>
Fund Balances:	
Restricted for:	
Debt Service Requirements	\$209,364
Unassigned	<u>71,141</u>
Total Fund Balances	<u>\$280,505</u>

NOTE 2 - VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

The City is prohibited by statute from spending in excess of appropriated amounts at the department level. The following represents the significant overdrafts of the expenditures compared to appropriations.

	<u>Year Ended</u> <u>12/31/2012</u>	<u>Year Ended</u> <u>12/31/2013</u>
General Fund:		
<u>Activity:</u>		
General Government - Financial administration	\$ --	\$ 5,447
General Government - Other	\$ --	\$ 57
Public Safety - Police	\$ 6,265	\$ 10,681
Public Safety - Fire	\$ --	\$ 2,418
Public Works - Airport	\$ --	\$ 18,136
Health and Welfare - Health	\$ 2,246	\$ --
Culture and Recreation - Parks	\$ --	\$ 1,451
Conservation and Development - Urban redevelopment and housing	\$ --	\$ 156
Debt Service	\$188,767	\$191,402
Transfers Out	\$ --	\$ 1,286

The City plans to take the following actions to address these violations: The City is aware of this violation and will make every effort to ensure that expenditures do not exceed appropriations.

NOTE 3 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The City follows the practice of aggregating the cash assets of all the funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 3 - (Continued)

Deposits - The City's cash deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 9-22-6, 9-22-6.1 and 9-22-6.2, and may be in the form of demand or time deposits. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits City funds to be invested only in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires investments to be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the City, as discussed above. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The City places no limit on the amount that may be invested in any one issuer. All of the City's investments are in a certificate of deposit.

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The City's policy is to credit all income from investments to the fund making the investment.

NOTE 4 - RESTRICTED CASH AND INVESTMENTS

Assets restricted to use for a specific purpose through segregation of balances in separate accounts are as follows:

<u>Amount:</u>	<u>Purpose:</u>
\$209,364	For debt service in the General Fund
\$ 51,014	For debt service in the Water Fund
\$628,791	For debt service in the Electric Fund
\$233,545	For construction in the Electric Fund

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 5 - PROPERTY TAXES

Property taxes are levied on or before October 1 of the year preceding the start of the fiscal year. They attach as an enforceable lien on property and become due and payable as of January 1, the first day of the fiscal year. Taxes are payable in two installments on or before April 30 and October 31 of the fiscal year.

The City is permitted by several state statutes to levy varying amounts of taxes per \$1,000 of taxable valuation on taxable real property in the City.

NOTE 6 - LONG-TERM DEBT

A summary of changes in long-term debt follows:

	Beginning Balance <u>1/1/2012</u>	<u>Additions</u>	<u>Deletions</u>	Ending Balance <u>12/31/2013</u>	<u>Due Within One Year</u>
Primary Government:					
Governmental Activities:					
Bonds Payable:					
Revenue	\$ 796,826	\$ --	\$268,720	\$ 528,106	\$142,265
Notes Payable	<u>75,500</u>	<u>34,000</u>	<u>51,576</u>	<u>57,924</u>	<u>26,131</u>
Total Governmental Activities	<u>872,326</u>	<u>34,000</u>	<u>320,296</u>	<u>586,030</u>	<u>168,396</u>
Business-Type Activities:					
Bonds Payable:					
Revenue	<u>8,076,157</u>	<u>--</u>	<u>268,496</u>	<u>7,807,661</u>	<u>142,411</u>
Total Business-Type Activities	<u>8,076,157</u>	<u>--</u>	<u>268,496</u>	<u>7,807,661</u>	<u>142,411</u>
Total Primary Government	<u>\$8,948,483</u>	<u>\$34,000</u>	<u>\$588,792</u>	<u>\$8,393,691</u>	<u>\$310,807</u>

Debt payable at December 31, 2013, is comprised of the following:

Governmental Activities:

Revenue Bonds:

Series 2005 Refunding Sales Tax Revenue Bonds, interest rate of 3.35 to 4.37% depending on length to maturity of individual bonds, final maturity is February 1, 2015. This debt is serviced by the General Fund. \$ 280,000

Series 2005 Rural Development Sales Tax Revenue Bonds, due in monthly installments of \$984, including 4.25% interest, maturing 2035. This debt is serviced by the General Fund. 165,158

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 6 - (Continued)

Series 2005 Rural Development Sales Tax Revenue Bonds, due in monthly installments of \$492, including 4.25% interest, maturing 2035. This debt is serviced by the General Fund. 82,948

Notes Payable:

Promissory Note, due in two annual payments of \$12,000 with the third annual payment of the entire unpaid balance of principal, earned fees, and accrued and unpaid interest, including 3.95%, maturing March 30, 2014. This debt is serviced by the General Fund. 11,036

Promissory Note, due in monthly installments of \$1,376, including 3.53% interest, maturing December 25, 2016. This debt is serviced by the General Fund. 46,888

Total Governmental Activities 586,030

Business-Type Activities:

Revenue Bonds:

Series 2009 "SRF" loan, due in quarterly installments of \$6,462, including 2.5% interest, maturing January 1, 2020. This debt is serviced by the Water Fund. 143,608

Series 2009 Rural Development Water Project Revenue Bond, due in monthly installments of \$3,038, including 3.5% interest, maturing November 24, 2049. This debt is serviced by the Water Fund. 744,053

Series 2010A Taxable Electric Revenue Bonds, interest rate of 1.5 to 7.875% depending on length to maturity of individual bonds, final maturity is December 1, 2040. The City is eligible for 45% of the interest to be refunded from the IRS. Due to the sequester, the subsidies received for 2013 were less than the amount requested. It is anticipated that the City will begin receiving the full amount of the subsidy for 2014. This debt is serviced by the Electric Fund. 6,920,000

Total Business-Type Activities 7,807,661

Total Primary Government \$8,393,691

The annual requirements to amortize all debt outstanding as of December 31, 2013, are as follows:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 6 - (Continued)

Annual Requirements to Amortize Long-Term Debt
December 31, 2013

Year Ending Dec. 31,	Revenue Bonds		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 284,676	\$ 516,619	\$26,131	\$1,853	\$ 310,807	\$ 518,472
2015	306,461	506,839	15,638	874	322,099	507,713
2016	167,759	498,470	16,155	7,068	183,914	505,538
2017	174,098	492,880	--	--	174,098	492,880
2018	180,483	486,296	--	--	180,483	486,296
2019-2023	928,539	2,313,542	--	--	928,539	2,313,542
2024-2028	1,161,352	2,046,900	--	--	1,161,352	2,046,900
2029-2033	1,586,088	1,623,271	--	--	1,586,088	1,623,271
2034-2038	2,173,713	978,430	--	--	2,173,713	978,430
2039-2043	1,181,489	170,610	--	--	1,181,489	170,610
2044-2048	162,550	19,730	--	--	162,550	19,730
2049	<u>28,559</u>	<u>418</u>	<u>--</u>	<u>--</u>	<u>28,559</u>	<u>418</u>
Total	<u>\$8,335,767</u>	<u>\$9,654,005</u>	<u>\$57,924</u>	<u>\$9,795</u>	<u>\$8,393,691</u>	<u>\$9,663,800</u>

NOTE 7 - CONDUIT DEBT

In the past, the City has issued revenue bonds to provide financial assistance to certain private-sector entities for the acquisition and/or construction of facilities deemed to be in the public interest. These bonds are secured by the property being financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities is retained by the private-sector entity served by the bond issuance. Neither the City, the State of South Dakota, nor any other political subdivision of the State is obligated in any manner for the repayment of these conduit debt issues. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2013, there was one of the conduit bonds outstanding, with an aggregate unpaid principal amount of \$350,000.

NOTE 8 - RESTRICTED NET POSITION

Restricted net position for the year ended December 31, 2013, was as follows:

Major Funds

Debt Service Purposes - General Fund	\$ 209,364
Debt Service Purposes - Water Fund	51,014
Debt Service Purposes - Electric Fund	628,791
Construction Purposes - Electric Fund	<u>233,545</u>
Total Restricted Net Position	<u>\$1,122,714</u>

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 8 - (Continued)

These balances are restricted by the terms of bond agreements.

NOTE 9 - INTERFUND TRANSFER

Interfund transfer for the year ended December 31, 2013, was as follows:

Transfer to:

Transfer From:

Airport Fund

Major Funds:

General Fund

\$1,286

The City transferred the money to help close the Airport Fund into the General Fund.

NOTE 10 - RETIREMENT PLAN

All employees, except for part-time employees, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer public employee retirement system established to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the SDRS, P.O. Box 1098, Pierre, South Dakota 57501-1098 or by calling (605) 773-3731.

General employees are required by state statute to contribute six percent of their salary to the plan, while public safety and judicial employees contribute at eight percent and nine percent, respectively. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2 percent for any compensation exceeding the maximum taxable amount for social security for general employees only. The City's share of contributions to the SDRS for the fiscal years ended December 31, 2013, 2012, and 2011, were \$44,142, \$43,437, and \$37,253, respectively, equal to the required contributions each year.

NOTE 11 - LITIGATION

At December 31, 2013, the City was not involved in any litigation.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated whether any subsequent events have occurred through August 21, 2014, the date on which the financial statements were available to be issued. Management has determined there are none.

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 13 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the period ended December 31, 2013, the City managed its risks as follows:

Employee Health Insurance:

The City purchases health insurance for its employees from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Liability Insurance:

The City joined the South Dakota Public Assurance Alliance (SDPAA), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the SDPAA is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower costs for that coverage. The City's responsibility is to promptly report to and cooperate with the SDPAA to resolve any incident which could result in a claim being made by or against the City. The City pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the SDPAA member, based on their exposure or type of coverage. The City pays an annual premium to the pool to provide coverage for general liability, automobile liability, legal liability, and property coverage.

The agreement with the SDPAA provides that the above coverages will be provided to a \$1,000,000 limit. Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$250,000 for property coverage and \$500,000 for liability coverage to the upper limit. A portion of the member premiums are also allocated to a cumulative reserve fund. The City would be eligible to receive a refund for a percentage of the amount allocated to the cumulative reserve fund on the following basis:

End of the City's first full year	50%
End of the City's second full year	60%
End of the City's third full year	70%
End of the City's fourth full year	80%
End of the City's fifth full year	90%
End of the City's sixth full year and thereafter	100%

As of December 31, 2013, the City has vested balance in the cumulative reserve fund of \$36,218.51. This amount does not appear in the financial statements because this is a modified cash basis entity.

The City carries a \$0 deductible for the general liability, automobile liability, and fire damage legal liability coverage, a \$2,000 deductible for the law enforcement operations coverage, and a \$500 deductible for the officials' liability coverage.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Worker's Compensation:

CITY OF MILLER
NOTES TO THE MODIFIED CASH BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 13 - (Continued)

The City joined the South Dakota Municipal League Worker's Compensation Fund (Fund), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The objective of the Fund is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The City's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Fund to resolve any worker's compensation claims. The City pays an annual premium, to provide worker's compensation coverage for its employees, under a self-funded program and the premiums are accrued based on the ultimate cost of the experience to date of the Fund members. Coverage limits are set by state statute. The pool pays the first \$650,000 of any claim per individual. The pool has reinsurance which covers up to statutory limits in addition to a separate combined employer liability limit of \$2,000,000 per incident.

The City does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage over the past three years.

Unemployment Benefits:

The City provides coverage for unemployment benefits by paying into the Unemployment Compensation Fund established by state law and managed by the State of South Dakota.

SUPPLEMENTARY INFORMATION

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES:				
Taxes:				
General property taxes	\$ 307,750	\$ 307,750	\$ 325,425	\$ 17,675
General sales and use taxes	549,550	549,550	795,530	245,980
Penalties and interest on delinquent taxes	600	600	843	243
License and Permits	21,575	21,575	11,562	(10,013)
Intergovernmental Revenue:				
Federal grants	3,000	15,475	40,871	25,396
State grants	-	32,662	4,266	(28,396)
State shared revenue:				
Bank franchise tax	1,500	1,500	1,700	200
Motor vehicle commercial prorate	7,000	7,000	5,934	(1,066)
Liquor tax reversion	9,000	9,000	9,849	849
Motor vehicle licenses (5%)	16,000	16,000	23,516	7,516
County shared revenue:				
County road tax (25%)	5,000	5,000	4,323	(677)
County highway and bridge reserve tax (25%)	35,000	35,000	44,625	9,625
Other intergovernmental revenues	2,200	2,200	2,784	584
Charges for Goods and Services:				
General government	100	100	38	(62)
Public safety	3,000	3,000	1,862	(1,138)
Highways and streets	4,500	4,500	3,641	(859)
Sanitation	100	100	371	271
Health	200	200	75	(125)
Culture and recreation	16,350	16,350	13,276	(3,074)
Fines and Forfeits:				
Court fines and costs	250	250	572	322
Miscellaneous Revenue:				
Investment earnings	1,800	1,800	576	(1,224)
Rentals	5,460	5,460	10,996	5,536
Special assessments	2,900	2,900	-	(2,900)
Contributions and donations from private sources	2,500	2,500	2,522	22
Other	4,500	4,500	21,415	16,915
TOTAL REVENUE	999,835	1,044,972	1,326,572	281,600
EXPENDITURES:				
General Government:				
Legislative	30,020	30,020	28,318	1,702
Contingency	10,000	10,000		
Amount transferred		(10,000)		-

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Executive	17,080	17,080	-	17,080
Elections	1,500	1,500	36	1,464
Financial administration	104,780	106,209	111,656	(5,447)
Other	21,950	23,379	23,436	(57)
Public Safety:				
Police	274,890	280,741	291,422	(10,681)
Fire	25,350	26,779	29,197	(2,418)
Public Works:				
Highways and streets	335,600	335,600	286,999	48,601
Airport	-	42,143	60,279	(18,136)
Health and Welfare:				
Other	2,300	2,300	2,000	300
Culture and Recreation:				
Recreation	85,599	87,027	80,214	6,813
Parks	22,400	23,828	25,279	(1,451)
Museums	1,600	1,600	1,600	-
Conservation and Development:				
Urban redevelopment and housing	-	-	156	(156)
Economic development and assistance (industrial development)	132,000	132,000	132,000	-
Debt Service	-	-	191,402	(191,402)
TOTAL EXPENDITURES	<u>1,065,069</u>	<u>1,110,206</u>	<u>1,263,994</u>	<u>(153,788)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(65,234)</u>	<u>(65,234)</u>	<u>62,578</u>	<u>127,812</u>
OTHER FINANCING SOURCES (USES):				
Sale of municipal property	1,390	1,390	-	(1,390)
Transfers out	-	-	(1,286)	(1,286)
Compensation for loss or damage to capital assets	<u>500</u>	<u>500</u>	<u>9,952</u>	<u>9,452</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,890</u>	<u>1,890</u>	<u>8,666</u>	<u>6,776</u>
NET CHANGE IN FUND BALANCES	(63,344)	(63,344)	71,244	134,588
FUND BALANCE - BEGINNING	<u>209,261</u>	<u>209,261</u>	<u>209,261</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 145,917</u>	<u>\$ 145,917</u>	<u>\$ 280,505</u>	<u>\$ 134,588</u>

CITY OF MILLER
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
General property taxes	\$ 307,600	\$ 307,600	\$ 320,341	\$ 12,741
General sales and use taxes	682,900	682,900	735,660	52,760
Penalties and interest on delinquent taxes	500	500	954	454
License and Permits	21,785	21,785	11,779	(10,006)
Intergovernmental Revenue:				
Federal grants	3,000	7,380	4,380	(3,000)
State grants	-	-	8,000	8,000
State shared revenue:				
Bank franchise tax	2,500	2,500	1,371	(1,129)
Motor vehicle commercial prorated	6,000	6,000	7,125	1,125
Liquor tax reversion	9,000	9,000	10,183	1,183
Motor vehicle licenses (5%)	15,000	15,000	24,092	9,092
County shared revenue:				
County road tax (25%)	5,000	5,000	4,323	(677)
County highway and bridge reserve tax (25%)	32,000	32,000	43,761	11,761
Other intergovernmental revenues	2,000	2,000	2,119	119
Charges for Goods and Services:				
General government	100	100	43	(57)
Public safety	3,500	3,500	1,409	(2,091)
Highways and streets	4,500	4,500	2,134	(2,366)
Sanitation	200	200	46	(154)
Health	100	100	150	50
Culture and recreation	13,300	13,300	16,222	2,922
Fines and Forfeits:				
Court fines and costs	200	200	598	398
Miscellaneous Revenue:				
Investment earnings	1,800	1,800	469	(1,331)
Rentals	1,850	1,850	2,027	177
Special assessments	2,900	2,900	1,116	(1,784)
Contributions and donations from private sources	2,500	2,500	2,133	(367)
Other	13,300	13,300	16,871	3,571
TOTAL REVENUE	1,131,535	1,135,915	1,217,306	81,391
EXPENDITURES:				
General Government:				
Contingency	10,000	10,000		
Amount transferred		-		10,000
Executive	44,166	48,166	42,612	5,554

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Elections	1,500	1,500	709	791
Financial administration	134,355	134,355	108,048	26,307
Other	26,656	31,906	28,435	3,471
Public Safety:				
Police	302,699	307,079	313,344	(6,265)
Fire	56,212	56,212	22,452	33,760
Public Works:				
Highways and streets	571,790	571,790	301,216	270,574
Health and Welfare:				
Health	-	-	2,246	(2,246)
Culture and Recreation:				
Recreation	138,649	139,399	94,368	45,031
Parks	48,085	48,085	22,837	25,248
Museums	2,400	2,400	2,400	-
Conservation and Development:				
Economic development and assistance (industrial development)	149,000	149,000	149,000	-
Debt Service	<u>2,300</u>	<u>2,300</u>	<u>191,067</u>	<u>(188,767)</u>
TOTAL EXPENDITURES	<u>1,487,812</u>	<u>1,502,192</u>	<u>1,278,734</u>	<u>223,458</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(356,277)</u>	<u>(366,277)</u>	<u>(61,428)</u>	<u>304,849</u>
OTHER FINANCING SOURCES:				
Sale of municipal property	5,000	5,000	14,865	9,865
Compensation for loss or damage to capital assets	500	500	562	62
Long-term debt issued	<u>-</u>	<u>-</u>	<u>34,000</u>	<u>34,000</u>
TOTAL OTHER FINANCING SOURCES	<u>5,500</u>	<u>5,500</u>	<u>49,427</u>	<u>43,927</u>
NET CHANGE IN FUND BALANCES	(350,777)	(360,777)	(12,001)	348,776
FUND BALANCE - BEGINNING	<u>221,262</u>	<u>221,262</u>	<u>221,262</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ (129,515)</u>	<u>\$ (139,515)</u>	<u>\$ 209,261</u>	<u>\$ 348,776</u>

CITY OF MILLER
NOTES TO THE SUPPLEMENTARY INFORMATION
SCHEDULES OF BUDGETARY COMPARISONS FOR THE GENERAL FUND
DECEMBER 31, 2013 AND 2012

NOTE 1 - Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the schedules:

1. At the first regular board meeting in September of each year or within ten days thereafter, the Governing Board introduces the annual appropriation ordinance for the ensuing fiscal year.
2. After adoption by the Governing Board, the operating budget is legally binding and actual expenditures for each purpose cannot exceed the amounts budgeted, except as indicated in number 4.
3. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total City budget and may be transferred by resolution of the Governing Board to any other budget category that is deemed insufficient during the year.
4. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows the adoption of supplemental budgets.
5. Unexpended appropriations lapse at year end unless encumbered by resolution of the Governing Board.

The City did not encumber any amounts at either December 31, 2012, or December 31, 2013.

6. Formal budgetary integration is employed as a management control device during the year for the General Fund.

NOTE 2 - Other Comprehensive Basis of Accounting Modified Cash Basis/Budgetary Accounting Basis Differences

The financial statements prepared in conformity with USGAAP applied within the context of the modified cash basis of accounting present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new fire truck would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however, in the Budgetary RSI Schedule, the purchase of a fire truck would be reported as an expenditure of the Public Safety/Fire Department function of government, along with all other current Fire Department related expenditures.

CITY OF MILLER
SCHEDULE OF CHANGES IN LONG-TERM DEBT
TWO YEARS ENDED DECEMBER 31, 2013 AND 2012

Indebtedness	Long-Term Debt 01/01/2012	Add New Debt	Less Debt Retired	Long-Term Debt 12/31/2013
GOVERNMENTAL LONG-TERM DEBT:				
Revenue bonds	\$ 796,826	\$ -	\$ (268,720)	\$ 528,106
Other long-term liabilities	75,500	34,000	(51,576)	57,924
ENTERPRISE LONG-TERM DEBT:				
Revenue bonds	<u>8,076,157</u>	<u>-</u>	<u>(268,496)</u>	<u>7,807,661</u>
Total	<u>\$ 8,948,483</u>	<u>\$ 34,000</u>	<u>\$ (588,792)</u>	<u>\$ 8,393,691</u>